

BRACKEN COUNTY BOARD OF EDUCATION

FINANCIAL STATEMENTS  
SUPPLEMENTARY INFORMATION  
And  
INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2013

Denise M. Keene  
Certified Public Accountant  
P.O. Box 1444  
Georgetown, Kentucky 40324  
502-857-2579

BRACKEN COUNTY BOARD OF EDUCATION  
TABLE OF CONTENTS

	Pages
<b>Unmodified Opinions on Basic Financial Statements Accompanied By Required Supplementary Information and Other Information - State or Local Governmental Entity Independent Auditor's Report</b>	4-6
<b>Management's Discussion and Analysis</b>	7-12
<b>Basic Financial Statements:</b>	
<b>District-wide Financial Statements:</b>	
Statement of Net Position	13
Statement of Activities	14
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds	15
Reconciliation of the Balance Sheet – Governmental Funds To the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the District-Wide Statement of Activities	18
Statement of Net Position – Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	20
Statement of Cash Flows – Proprietary Funds	21
Statement of Net Position – School Activity Funds	22

BRACKEN COUNTY BOARD OF EDUCATION  
TABLE OF CONTENTS

	Pages
<b>Notes to the Financial Statements</b>	23-40
<b>Supplementary Information:</b>	
<b>Budget Comparison:</b>	
Budgetary Comparison Schedule for the General Fund	42
Budgetary Comparison Schedule for Special Revenue	43
<b>Combining Statements – Nonmajor Funds:</b>	
Combining Balance Sheet – Nonmajor Governmental Funds	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	45
<b>Combining Statements – School Activity Funds:</b>	
Combining Statement of Net Position – School Activity Funds	46
Combining Statement of Receipts, Disbursements, and Due To Student Groups – School Activity Funds	47
<b>Statement of Receipts, Disbursements, and Due to Student Groups     Bracken County High School</b>	48
<b>Schedule of Expenditures of Federal Awards</b>	49-50
<b>Notes to the Schedule of Expenditures of Federal Awards</b>	51
<b>Report on Internal Control Over Financial Reporting and on Compliance     And Other Matters Based on an Audit of the Financial Statements     Performed in Accordance with <u>Government Auditing Standards</u>     (for a Governmental Entity) (No Material Weaknesses Identified, No     Significant Deficiencies Identified, And No Reportable Instances of Noncompliance,     and Other Matters Identified)</b>	52-53
<b>Report on Compliance For Each Major Federal Program; Report on Internal     Control Over Compliance; and Report on the Schedule of Expenditures     Of Federal Awards Required by OMB Circular A-133 (Unmodified Opinion     On Compliance for each Major Program; No Material Weaknesses or     Significant Deficiencies in Internal Control Over Compliance Identified)</b>	54-56
<b>Schedule of Findings and Questioned Costs</b>	57
<b>Schedule of Prior Year Audit Findings</b>	58
<b>Management Letter</b>	60-63

DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
502-857-2579

**Unmodified Opinions on Basic Financial Statements Accompanied by  
Required Supplementary Information and Other  
Information – State or Local Governmental Entity**

INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits  
Members of the Board of Education  
Bracken County Board of Education  
Brooksville, Kentucky

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bracken County Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 12 and budgetary comparison information on pages 42 and 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The combining statements for nonmajor governmental funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Bracken County High School, and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Bracken County High School, and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Bracken County High School, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2013 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
September 20, 2013

**BRACKEN COUNTY BOARD OF EDUCATION  
BROOKSVILLE, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

As management of the Bracken County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

The beginning cash balance, including activity funds, for the District was \$2,907,902.  
The ending cash balance, including activity funds, for the District was \$2,707,698.

The General Fund had \$8,103,194 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfer, there were \$8,577,819 in General Fund expenditures. This includes on-behalf payments.

No staff raises were given during the year, except for step and rank increases.

The District purchased two school buses.

Jeffrey Aulick was hired as the new Superintendent in July 2012.

Brittany Jefferson was hired as the new Finance Officer in November 2012.

The District created an assistant principal position at Taylor Elementary School.

During the fiscal year the District was notified the Kentucky School Board Insurance Trust (KSBIT) would be dissolving as the self insurance provider for school districts in Kentucky. KSBIT has informed Districts there is an unfunded liability that will be assessed. However, the exact amount of the assessment has not been determined.

The District filed a capital funds request and received KDE approval to use those monies to pay for the District's insurance, a maintenance truck, two new buses, and ceiling repair for the Bus Garage.

The compensating rate for property taxes was taken. Motor vehicle taxes remained at 52.5 cents per \$100.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**District-wide financial statements.** The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 13 and 14 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary fund is food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 15-22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 23-40 of this report.

## DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$10 million as of June 30, 2013.

The largest portion of the District's net position reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

### Net position for the period ending June 30, 2013 and 2012

2012 District-wide net position compared to 2013 are as follows:

	Net Position (in thousands)					
	Governmental		Business-type		Total	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Assets	\$14,647	\$14,290	\$622	\$577	\$15,269	\$14,867
Deferred Outflows of Resources	\$66	\$60	\$0	\$0	\$66	\$60
Liabilities	\$4,208	\$3,839	\$0	\$1	\$4,208	\$3,840
Deferred Inflows of Resources	\$42	\$56	\$0	\$0	\$42	\$56
Investment in capital assets (net of debt)	\$7,622	\$7,946	\$423	\$403	\$8,045	\$8,349
Restricted	1,570	1,471	199	173	1,769	1,644
Unrestricted	<u>1,271</u>	<u>1,038</u>	<u>0</u>	<u>0</u>	<u>1,271</u>	<u>1,038</u>
<b>Total Net Position</b>	\$10,463	\$10,455	\$622	\$576	\$11,085	\$11,031

### Budgetary Implications

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal year, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The district adopted a budget with \$371,000 in contingency, which is 4.6 percent.

### Comments on Budget Comparisons

The original budget was amended to reflect changes in the site based allocations and anticipated revenues. The changes made were based on more accurate data being available after the first couple of months of the fiscal year.

The District recorded "On-Behalf" payments as revenues and expenditures during the fiscal year. "On-Behalf" payments were not included in the budget. Therefore budget comparisons have some large negative variances. Caution should be used when reading the budget comparison reports.

	<b>Changes in Net Position (in thousands)</b>					
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>
<b>Revenues</b>						
Local Revenue Sources	\$1,603	\$1,740	\$201	\$167	\$1,804	\$1,907
State Revenue Sources	7,808	7,671	79	173	7,887	7,844
Federal Revenue Sources	940	673	463	483	1,403	1,156
Investments	<u>8</u>	<u>8</u>	<u>0</u>	<u>1</u>	<u>8</u>	<u>9</u>
<b>Total Revenues</b>	10,359	10,092	743	824	11,102	10,916
<b>Expenses</b>						
Instruction	5,619	5,390	0	0	5,619	5,390
Student Support Services	541	699	0	0	541	699
Instructional Support	440	369	0	0	440	369
District Administration	465	434	0	0	465	434
School Administration	572	575	0	0	572	575
Business Support	128	191	0	0	128	191
Plant Operations	738	886	0	0	738	886
Student Transportation	753	969	0	0	753	969
Facilities Acquisition & Construction	239	17	0	0	239	17
Community Support	81	84	0	0	81	84
Food Service	0	0	711	842	711	842
Debt Service	<u>679</u>	<u>677</u>	<u>0</u>	<u>0</u>	<u>679</u>	<u>677</u>
<b>Total Expenses</b>	10,255	10,291	711	842	10,966	11,133
Transfers	27	28	(27)	(28)	0	0
Capital Contribution			56		56	0
<b>Change in Net Position</b>	131	(171)	61	(46)	192	(217)
<b>Beginning Net Position</b>	<u>2,750</u>	<u>2,881</u>	<u>561</u>	<u>622</u>	<u>3,311</u>	<u>3,503</u>
<b>Ending Net Position</b>	\$2,881	\$2,710	\$622	\$576	\$3,503	\$3,286

The government's overall financial position and results of operations declined as a result of the year's operations as reflected in the decrease in net position for the year.

## INFRASTRUCTURE

The District has not reported any infrastructure in the current financial statements.

### Analysis of balances and transactions of individual funds (in thousands)

Fund	Beginning	Revenues	Expenses	Transfer	Ending
General Fund	\$1,442	\$8,103	\$8,578	\$299	\$1,266
Special Revenue	\$0	\$1,001	\$1,018	\$17	\$0
Capital Outlay	\$331	\$110	\$0	(\$255)	\$186
Building	\$1,091	\$796	\$0	(\$628)	\$1,259
Construction	\$18	\$0	\$18	\$0	\$0
Debt Service	\$0	\$55	\$677	\$622	\$0

**Capital Assets and Long-Term Debt Activity (in thousands)**

	Beginning	Additions	Deductions	Ending
<b>Governmental</b>				
Capital Assets	\$20,026	\$347	\$68	\$20,305
Accumulated Depreciation	\$8,341	\$550	\$67	\$8,824
<b>Business-Type</b>				
Capital Assets	\$1,044	\$1	\$2	\$1,043
Accumulated Depreciation	\$621	\$21	\$2	\$640
Bonds Payable	\$4,098	\$0	\$532	\$3,566
Sick Leave Payable	\$40	\$0	\$13	\$27

**CURRENT ISSUES**

All staff received a 1% raise in 2013-2014.

The District anticipates a reduction in federal funds again this year.

Due to the dissolution of KSBIT, Districts have been informed there is an unfunded liability that will be assessed. However, the exact amount of the assessment has not been determined.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. Questions about this report or additional financial information should be directed to the Superintendent, Jeff Aulick, or to the Finance Officer, Brittany Jefferson, or by mail at 348 West Miami Street, Brooksville, KY 41004.

BRACKEN COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
DISTRICT WIDE  
As of June 30, 2013

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and equivalents - Note C	\$2,477,221	\$109,390	\$2,586,611
Accounts receivable	318,927	41,732	360,659
Inventory		22,277	22,277
Prepaid expenses	12,523		12,523
Capital assets			
Land and construction in progress	211,000		211,000
Other capital assets, net of depreciation	<u>11,270,583</u>	<u>403,259</u>	<u>11,673,842</u>
Total capital assets	<u>11,481,583</u>	<u>403,259</u>	<u>11,884,842</u>
<b>TOTAL ASSETS</b>	<b>\$14,290,254</b>	<b>\$576,658</b>	<b>\$14,866,912</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Bond issue costs	\$59,988		\$59,988
<b>LIABILITIES</b>			
Accounts payable	\$27,433	\$768	\$28,201
Accrued salaries and benefits payable	14,513		14,513
Interest payable	29,843		29,843
KSBIT liability	173,376		173,376
Long-term Liabilities			
Due within 1 year	557,387		557,387
Due in more than 1 year	<u>3,036,062</u>		<u>3,036,062</u>
<b>TOTAL LIABILITIES</b>	<b>\$3,838,614</b>	<b>\$768</b>	<b>\$3,839,382</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenues	55,961		55,961
<b>NET POSITION</b>			
Net investment in capital assets	\$7,945,728	\$403,259	\$8,348,987
Restricted			
Inventories		22,277	22,277
Prepays	12,523		12,523
Accrued sick leave	13,724		13,724
Food Service		150,354	150,354
SFCC	1,444,972		1,444,972
Future Construction Projects	83		83
Debt Service	57		57
Unrestricted	<u>1,038,580</u>		<u>1,038,580</u>
<b>TOTAL NET POSITION</b>	<b>\$10,455,667</b>	<b>\$575,890</b>	<b>\$11,031,557</b>

See accompanying notes

BRACKEN COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
DISTRICT WIDE

For the year ended June 30, 2013

FUNCTIONS/PROGRAMS

**Governmental Activities**

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Net (Expense) Revenue and Changes in Net Position
Instruction	\$5,853,983		\$780,152		(\$5,073,831)	\$	(\$5,073,831)
Support services:							
Student	700,469		31,417		(669,052)		(669,052)
Instruction staff	371,926		106,028		(265,898)		(265,898)
District administrative	434,285		182		(434,103)		(434,103)
School administrative	575,668		1,291		(574,377)		(574,377)
Business	192,266				(192,266)		(192,266)
Plant operation and maintenance	920,483				(920,483)		(920,483)
Student transportation	843,932		122		(843,810)		(843,810)
Food service	0				0		0
Community service activities	83,914		81,904		(2,010)		(2,010)
Interest on long-term debt	<u>150,100</u>		<u>0</u>		<u>(131,764)</u>		<u>(131,764)</u>
Total governmental activities	10,127,026		1,001,096	18,336	(9,107,594)		(9,107,594)

**Business-type Activities**

Food service	841,888	167,255	656,119			(18,514)	(18,514)
Total business-type activities	841,888	167,255	656,119			(18,514)	(18,514)
Total school district	\$10,968,914	\$167,255	\$1,657,215	\$18,336	(\$9,107,594)	(\$18,514)	(\$9,126,108)

**General Revenues**

Property taxes	\$1,015,844						\$1,015,844
Motor Vehicle taxes	281,576						281,576
Utility taxes	351,944						351,944
State aid-formula grants	7,321,316						7,321,316
Investment earnings	7,693					348	8,041
Gain on sale of assets	26,428						26,428
Transfers	27,703					(27,703)	0
Miscellaneous	<u>67,519</u>						<u>67,519</u>
Total general & special	9,100,023					(27,355)	9,072,668
Change in net positions					(7,571)		(53,440)
Net position - beginning					<u>10,463,238</u>		<u>11,084,997</u>
Net position - ending					\$10,455,667		\$11,031,557

See accompanying notes

BRACKEN COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of June 30, 2013

	General Fund	Special Revenue	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$1,139,452	(\$107,343)	\$1,259,159	\$185,953	\$2,477,221
Other receivables	155,623	163,304			318,927
Prepaid expenses	<u>12,523</u>				<u>12,523</u>
<b>TOTAL ASSETS</b>	<b>\$1,307,598</b>	<b>\$55,961</b>	<b>\$1,259,159</b>	<b>\$185,953</b>	<b>\$2,808,671</b>
<b>LIABILITIES</b>					
Accounts payable	\$27,433	\$0	\$0	\$0	\$27,433
Accrued salaries and benefits payable	<u>14,513</u>				<u>14,513</u>
<b>TOTAL LIABILITIES</b>	<b>41,946</b>				<b>41,946</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Revenues		55,961			55,961
<b>Fund Balances</b>					
Nonspendable					
Prepays	12,523				12,523
Restricted					
Sick Leave Payable	13,724				13,724
SFCC			1,259,159	185,813	1,444,972
Future Construction Projects BG-1				83	83
Debt Service				57	57
Unassigned	<u>1,239,405</u>				<u>1,239,405</u>
<b>Total fund balances</b>	<b>1,265,652</b>		<b>1,259,159</b>	<b>185,953</b>	<b>2,710,764</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>	<b>\$1,307,598</b>	<b>\$55,961</b>	<b>\$1,259,159</b>	<b>\$185,953</b>	<b>\$2,808,671</b>

See accompanying notes

BRACKEN COUNTY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
 THE STATEMENT OF NET POSITION  
 As of June 30, 2013

Amounts reported for governmental activities in the statement of net position  
 are different because:

<b>Total Fund Balance - Governmental Funds</b>		<b>\$2,710,764</b>
Certain assets are not reported in this fund financial statement because they are recorded as current expenditures		
	Bond Issue Costs	59,988
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position		
		11,481,583
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position		
	Bonds Payable	(3,566,000)
	KSBIT Liability	(173,376)
	Accrued Interest on Bonds	(29,843)
	Accumulated Sick Leave	<u>(27,449)</u>
<b>Total Net Position - Governmental Activities</b>		<b>\$10,455,667</b>

See accompanying notes

BRACKEN COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the year ended June 30, 2013

	General Fund	Special Revenue	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
From local sources					
Property taxes	\$688,716	\$	327,128	\$0	\$1,015,844
Motor vehicle taxes	281,576				281,576
Utility taxes	351,944				351,944
Earnings on investments	3,671		3,187	835	7,693
Other local revenues	51,142	12,701			63,843
Intergovernmental - State	6,709,768	331,516	465,528	164,356	7,671,168
Intergovernmental - Federal	<u>16,377</u>	<u>656,879</u>			<u>673,256</u>
Total revenues	8,103,194	1,001,096	795,843	165,191	10,065,324
<b>Expenditures</b>					
Instruction	4,592,674	797,284			5,389,958
Support services					
Student	668,060	31,417			699,477
Instruction staff	262,527	106,028			368,555
District administration	433,322	182			433,504
School administration	573,698	1,291			574,989
Business	191,024				191,024
Plant operation and maintenance	885,946				885,946
Student transportation	968,558	122			968,680
Community service activities	2,010	81,904			83,914
Facilities				17,605	17,605
Debt service				<u>677,090</u>	<u>677,090</u>
Total expenditures	<u>8,577,819</u>	<u>1,018,228</u>		694,695	10,290,742
Excess(deficit)of revenues over expenditures	(474,625)	(17,132)	795,843	(529,504)	(225,418)
<b>Other Financing Sources (Uses)</b>					
Sale of equipment	26,703				26,703
Operating transfers in	289,006	17,132		622,066	928,204
Operating transfers out	<u>(17,132)</u>		<u>(627,778)</u>	<u>(255,591)</u>	<u>(900,501)</u>
Total other financing sources (uses)	298,577	17,132	(627,778)	366,475	54,406
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(176,048)	0	168,065	(163,029)	(171,012)
Fund balance, July 1, 2012	<u>1,441,700</u>	<u>0</u>	<u>1,091,094</u>	<u>348,982</u>	<u>2,881,776</u>
Fund balance, June 30, 2013	\$1,265,652	\$0	\$1,259,159	\$185,953	\$2,710,764

See accompanying notes

BRACKEN COUNTY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO  
 THE DISTRICT-WIDE STATEMENT OF ACTIVITIES  
 For The Year Ended June 30, 2013

Amounts reported for governmental activities in the statement of activities are different because:

**Total net change in fund balances - governmental funds** (\$171,012)

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.

Depreciation Expense	(550,019)	
Capital Outlays	<u>346,832</u>	(203,187)

Loss on sale of assets (275)

Bond issue costs are expensed as incurred in the fund balance statement, but are amortized over the life of the bond in the statement of activities:

Amortization Expense		(6,485)
----------------------	--	---------

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Repayment of Bond Principal		532,000
-----------------------------	--	---------

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

Change in Accrued Interest		1,475
KSBIT liability		(173,376)
Change in Sick Leave		<u>13,289</u>

**Total Change in Net Position - Governmental Activities** (\$7,571)

See accompanying notes

BRACKEN COUNTY SCHOOL DISTRICT  
 STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 As of June 30, 2013

	Business-Type Activities Enterprise Funds Food Service <u>Fund</u>
<b>ASSETS</b>	
Cash and Equivalents	\$109,390
Accounts Receivable	41,732
Inventory	22,277
Capital Assets, net of depreciation	<u>403,259</u>
<b>TOTAL ASSETS</b>	<b>\$576,658</b>
<b>LIABILITIES</b>	
Accounts Payable	\$768
<b>TOTAL LIABILITIES</b>	<u>768</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	403,259
Nonspendable-Inventories	22,277
Restricted Net Position	<u>150,354</u>
<b>TOTAL NET POSITION</b>	<b>\$575,890</b>

See accompanying notes

BRACKEN COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For The Year Ended June 30, 2013

	Business-Type Activities Enterprise Funds Food Service <u>Fund</u>
OPERATING REVENUES	
Lunchroom sales	\$167,255
Total Operating Revenues	167,255
OPERATING EXPENSES	
Salaries and wages	473,745
Contract services	17,106
Materials and supplies	328,094
Other expenses	1,845
Depreciation	<u>21,098</u>
Total Operating Expenses	841,888
Operating income (loss)	(674,633)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	441,604
State grants	6,764
State on-behalf payments	166,519
Interest income	348
Indirect cost transfer to general fund	(27,703)
Commodities received	<u>41,232</u>
Non-operating revenues (expenses)	628,764
Net income (loss) before Capital Contributions	(45,869)
Increase (decrease) in Net Position	(45,869)
Net Position, July 1, 2012	<u>621,759</u>
Net Position, June 30, 2013	\$575,890

See accompanying notes

BRACKEN COUNTY SCHOOL DISTRICT  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For The Year Ended June 30, 2013

Business-Type Activities  
 Enterprise Funds  
 Food Service  
Fund

CASH FLOW FROM OPERATING ACTIVITIES

Cash received from customers	\$167,255
Cash paid to employees, including benefits	(307,226)
Cash paid to suppliers	<u>(312,248)</u>
Net cash provided by operating activities	(452,219)

CASH FLOW FROM NONCAPITAL  
 FINANCING ACTIVITIES

Cash received from government funding	406,636
Indirect cost transfer to general fund	<u>(27,703)</u>
Net cash provided from capital and related financing activities	378,933

CASH FLOW FROM CAPITAL AND RELATED  
 FINANCING ACTIVITIES

Purchase of Capital Assets	(1,402)
Interest Income	<u>348</u>
Net cash provided from capital and related financing activities	(1,054)

Net increase (decrease) in cash (74,340)

Cash and equivalents, July 1, 2012 183,730

Cash and equivalents, June 30, 2013 \$109,390

Reconciliation of Operating income (loss) to Net Cash

Provided by Operating Activities	
Operating income (loss)	(\$674,633)

Adjustments to reconcile net income to cash provided by operating activities

Depreciation	21,098
On-behalf payments	166,519
Commodities used	41,232
Increase in inventory	(7,171)
Increase in accounts payable	<u>736</u>
Net cash provided by operating activities and increase in cash and equivalents	(452,219)

**Schedule of Non-Cash Financing Activities**

Donated commodities	\$41,232
On Behalf payments	\$166,519

See accompanying notes

BRACKEN COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
SCHOOL ACTIVITY FUNDS  
As of June 30, 2013

	Agency Fund
ASSETS	
Cash and equivalents	\$121,087
Accounts receivable	<u>119</u>
TOTAL ASSETS	\$121,206
LIABILITIES	
Accounts payable	\$1,916
Due to student groups	<u>119,290</u>
TOTAL LIABILITIES	\$121,206

See accompanying notes

BRACKEN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2013

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

REPORTING ENTITY

The Bracken County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Bracken County School District (District). The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Bracken County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Bracken County School District Finance Corporation (the Corporation) – the Bracken County Board of Education has established the Bracken County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Bracken County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

District-Wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities.

The district-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

BRACKEN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2013

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total net position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

2018. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for and reports all financial resources not accounted for and reported in another fund. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

BRACKEN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2013

(2018) Capital Project Funds are used to account for and report financial resource that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan. This is a major fund.
3. The Construction Fund includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or renovations.

II. Debt Service Fund

The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds are used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years are reported in debt service funds.

2018. Proprietary Funds (Enterprise Fund)

1. The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). This is a major fund for the District.

2018. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

1. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.
2. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments. The District does not currently have any Private Purpose Trust Funds.

BRACKEN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2013

V. Permanent Funds

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchanges and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when used is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

BRACKEN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2013

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied.

The property tax rates assessed for the year ended June 30, 2013, to finance operations were \$.365 per \$100 valuation for real property, \$.365 per \$100 valuation for business personal property and \$.525 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the District, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Fund Balance Classification Policies and Procedures

The Board intends that accounting practices follow state and federal laws and regulations and generally accepted accounting policies.

Nonspendable Fund Balance

Amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact will be classified as Nonspendable Fund Balance.

Restricted Fund Balance

Fund Balance will be reported as restricted when constraints placed on the use of resources are either; (a) externally imposed by creditors, grantors, contributors, or laws or regulations or other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

The Board will use restricted amounts before unrestricted amounts when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Committed Fund Balance

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education will be reported as committed fund balance.

Assigned Fund Balance

Amounts that have been assigned for a specific purpose by formal resolution of the Board of Education will be reported as assigned fund balance for a specific purpose.

Unassigned Fund Balance

Unassigned Fund Balance is the residual classification for the general fund.

When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used, the funds will first be spent from committed, then assigned, and then finally unassigned.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

BRACKEN COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2013

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	12 years
Furniture and fixtures	20 years
Rolling stock	15 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

BRACKEN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2013

Budgetary Process

**Budgetary Basis of Accounting:** The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the treasurer at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

On district-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2013 are recorded as prepaid items using the consumption method. Prepaid assets are only recorded if material to the financial statements.

BRACKEN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2013

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and collections for services such as child care.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Subsequent Events

Subsequent events were considered through September 20, 2013, which represents the date of my report.

BRACKEN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2013

Interfund Activity

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Uses of Estimates

The process of preparing financial statements in conformity with general accepted accounting principles of the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Encumbrances

Encumbrances are not liabilities and therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

**NOTE B – PROPERTY TAX CALENDAR**

Property taxes for fiscal year 2013 were levied on the assessed valuation of property located in the School District as of January 1, 2012 lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	per KRS 134.020
Due date for payment of taxes	Upon receipt
Face value amount payment date	December 31
Delinquent date, 10% penalty	January 1

Vehicle taxes are collected by the County Clerk and are due and collected in the birth month of the vehicle's licensee.

BRACKEN COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2013

**NOTE C – CASH AND CASH EQUIVALENTS**

At year-end, the carrying amount of the District's total cash and cash equivalents was \$2,707,698. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2013 consisted of the following:

	Bank Balance	Book Balance
General Checking Account		
General Fund	\$	\$ 1,139,452
Fund 2		(107,343)
Fund 310		185,813
Fund 320		1,259,159
Fund 360		83
Fund 51		<u>109,390</u>
Total General Checking Account	3,041,361	2,586,554
Activity and Trust Funds	124,350	121,087
Debt Service Funds	<u>57</u>	<u>57</u>
TOTALS	\$ 3,165,768	\$2,707,698

Breakdown per financial statements:

Governmental Funds	\$ 2,477,221
Proprietary Funds	109,390
Agency Funds	<u>121,087</u>
TOTALS	\$ 2,707,698

**NOTE D – CAPITAL ASSETS**

Depreciation expense was charged to functions of the governmental activities as follows:

Instruction	\$ 465,176
Support Services	
Student	992
Instructional Staff	3,371
District Administration	781
School Administration	679
Business	1,242
Plant operations & maintenance	34,537
Student transportation	<u>43,241</u>
Total Depreciation expense, governmental activities	\$ 550,019

BRACKEN COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2013

**NOTE D – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

<b>Governmental Activities</b>	July 1, 2012	Additions	Retirements	June 30,2013
Land	211,000			211,000
Land Improvements	1,011,102	26,770		1,037,872
Building & Building Improve	15,969,980	16,725		15,986,705
Technology Equipment	841,776	81,376	63,880	859,273
Vehicles	1,511,554	167,989		1,679,542
General Equipment	480,384	53,972	3,785	530,571
Construction in Process	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals at historical cost	20,025,796	346,832	67,665	20,304,963
Accumulated Depreciation				
Land Improvements	742,440	44,268		786,708
Building & Building Improve	5,401,776	332,625		5,734,401
Technology Equipment	625,907	88,875	63,724	651,058
Vehicles	1,243,134	59,018		1,302,152
General Equipment	<u>327,494</u>	<u>25,233</u>	<u>3,666</u>	<u>349,061</u>
Total accumulated depreciation	8,340,751	550,019	67,390	8,823,380
Capital Assets – Net	11,685,045	(203,187)	(275)	11,481,583
<b>Business-Type Activities</b>				
Building & Building Improve	668,227			668,227
Technology Equipment	0	1,402		1,402
General Equipment	<u>375,428</u>	<u>1,402</u>	<u>1,873</u>	<u>373,555</u>
Totals at historical cost	1,043,655	1,402	1,873	1,043,184
Accumulated Depreciation				
Building & Building Improve	309,660	13,364		323,024
Technology Equipment	0	257		257
General Equipment	<u>311,040</u>	<u>7,477</u>	<u>1,873</u>	<u>316,644</u>
Total accumulated depreciation	620,700	21,098	1,873	639,925
Capital Assets – Net	422,955	(19,696)	0	403,259

BRACKEN COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2013

**NOTE E – BONDED DEBT AND LEASE OBLIGATIONS**

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued aggregating the original amount of each issue, the issue date, and interest rates are summarized below:

Issue Date	Proceeds	Rates
1999	\$ 235,000	4.25%
2004 Refunding	5,290,000	2.00% - 3.60%
2010	1,970,000	2.00% - 4.00%

The District, through the General Fund (including utility taxes) and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

There are a number of limitations and restrictions contained in the various bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of June 30, 2013.

The District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The following is a summary of the District's long-term debt transactions for the year ended.

	Beginning Balance	Additions	Payments	Ending Balance
Bonds	\$4,098,000		\$532,000	\$3,566,000
Sick Leave	\$40,738		\$13,289	\$27,449
Total	\$4,138,738		\$545,289	\$3,593,449

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2013 for debt service (principal and interest) are as follows:

BRACKEN COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2013

Year	Bracken County School District		SFCC Participation		Total
	Principal	Interest	Principal	Interest	
2013-14	514,849	110,514	38,151	16,874	680,388
2014-15	534,311	93,206	39,689	15,334	682,540
2015-16	547,653	74,694	41,347	13,676	677,370
2016-17	146,066	55,052	38,934	12,003	252,055
2017-18	150,997	50,646	29,003	10,659	241,305
2018-19	154,640	45,914	30,360	9,560	240,474
2019-20	158,506	40,691	16,494	8,370	224,061
2020-21	168,580	34,945	16,420	7,772	227,717
2021-22	172,685	28,834	17,315	7,177	226,011
2022-23	181,738	22,574	18,262	6,550	229,124
2023-24	186,675	15,577	18,325	5,846	226,424
2024-25	195,585	8,390	19,415	5,141	228,531
2025-26	4,449	812	20,551	4,388	30,200
2026-27	4,219	634	20,781	3,566	29,200
2027-28	2,936	465	22,064	2,735	28,200
2028-29	2,554	348	22,446	1,853	27,200
2029-30	6,131	245	23,869	955	31,200
	3,132,574	583,541	433,426	132,459	4,282,000

**NOTE F – COMMITMENTS UNDER NONCAPITALIZED LEASES**

Commitments under operating lease agreements for equipment provide the minimum future rental payments as of June 30, 2013 as follows:

Year ending June 30,

2014	\$ 51,547
2015	51,547
2016	45,356
2017	0
2018	0
Later years	<u>0</u>
Total	\$ 148,450

BRACKEN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2013

**NOTE G – RETIREMENT PLANS**

Plan Description – The Bracken County School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost sharing, multiple-employer, defined benefit pension plan. KTRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601

Funding Policy – Contribution rates are established by KRS. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions.

**Medical Insurance Plan**

Plan description – In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide access to post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the KY Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the KY Employees Health Plan administered by the KY Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy – In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 1.75% of salary. Also, the premiums collected from retirees as described in the plan and description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.0% of member's salary for the 2012-2013 fiscal year.

BRACKEN COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2013

**NOTE G – RETIREMENT PLANS (continued)**

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% and a District contribution of 19.55% of the employee's total compensation subject to contribution.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The following are payroll and retirement amounts for the years ended June 30, 2013, 2012, and 2011.

	2013	2012	2011
Total payroll	6,161,807	6,084,533	6,017,422
KTRS total payroll	4,816,575	4,743,226	4,648,593
CERS total payroll	1,331,782	1,286,495	1,253,743
Contribution requirement for CERS	316,429	283,309	275,287
District portion – CERS contribution	249,962	217,804	209,281
Employee portion – CERS contribution	66,467	65,505	66,006
KTRS contribution – Commonwealth of KY	596,203	579,822	572,959
KTRS contribution – District Federal Employees	89,631	44,227	39,515

**NOTE H – CONTINGENCIES**

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

BRACKEN COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2013

**NOTE I – INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Workers' Compensation insurance.

**NOTE J – ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon retirement from the school system, an employee will receive from the district an amount equal to 30% of the value of accumulated sick leave. At June 30, 2013, this amount totaled \$27,449 of which \$13,724 is restricted in the current year fund balance of the General Fund.

**NOTE K – INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at June 30, 2013, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
None		

**NOTE L – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District purchases various insurance policies, including participating in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The district pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis. The District purchased unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE M – DEFICIT OPERATING/FUND BALANCES**

Funds with a current year deficit of revenues over expenditures

Fund 1	( 176,048)
Fund 310	( 145,443)
Fund 360	( 17,590)
Fund 51	( 45,869)

BRACKEN COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2013

**NOTE N – COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss. The District notifies the Department of Employee Insurance (DEI) when an employee is no longer employed. DEI sends the employee the COBRA requirements.

**NOTE O – TRANSFER OF FUNDS**

The following transfers were made during the year.

Type	From Fund	To Fund	Purpose	Amount
Operating	1	2	KETS Matching	\$ 17,132
Operating	51	1	Indirect Cost	27,703
COFT	310	1	COFT	255,591
COFT	320	1	COFT	5,712
Debt Service	320	400	Bond Payment	622,066

**NOTE P – ON-BEHALF PAYMENTS**

The financial statements include payments made by the Commonwealth of Kentucky for insurance, flexible spending, vocational and retirement benefits. The following amounts are included in each of the functions.

Health Insurance	\$ 1,011,192
Life Insurance	2,579
Administrative Fees	12,219
Health Reimbursement Account	77,000
Federal Reimbursement	( 54,823)
KTRS	596,206
Technology On Behalf Payments	59,565
Debt Service On Behalf Payments	<u>55,024</u>
Total On-Behalf Payments	\$ 1,758,962

**NOTE Q – DEPOSITS AND INVESTMENTS**

Interest rate risk. In accordance with the District's investment policy, interest rate risk is limited by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk. The District's investment policy limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments.

BRACKEN COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2013

**NOTE Q – DEPOSITS AND INVESTMENTS (continued)**

Concentration of credit risk. The district may invest, at any one time, funds in any one of the above listed categories with no limitation of the total amount of funds invested on behalf of the District.

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2013, the District's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District's behalf and the FDIC insurance.

**NOTE R – KSBIT ASSESSMENT**

During the fiscal year the District was notified the Kentucky School Board Insurance Trust (KSBIT) would be dissolving as the self-insurance provider for school districts in Kentucky. KSBIT has informed Districts there is an unfunded liability that will be assessed. The exact amount of the assessment has not been determined. The District has shown a liability of \$173,376 based on the "Novation" calculation provided by KSBIT.

**NOTE S – GASB 68**

In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 68, Accounting and Financial Reporting for Pensions. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The provisions of the statement must be implemented by the District no later than the fiscal year beginning July 1, 2014.

SUPPLEMENTARY INFORMATION

BRACKEN COUNTY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
 For The Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	1,012,500	1,012,500	1,322,236	309,736
Other Local Sources	17,800	17,800	54,813	37,013
State Sources	5,209,070	5,164,110	6,709,768	1,545,658
Federal Returned	<u>12,000</u>	<u>12,000</u>	<u>16,377</u>	<u>4,377</u>
<b>TOTAL REVENUES</b>	<b>6,251,370</b>	<b>6,206,410</b>	<b>8,103,194</b>	<b>1,896,784</b>
<b>EXPENDITURES</b>				
Instruction	4,191,445	4,085,180	4,592,674	(507,494)
Support Services				
Student	325,228	438,833	668,060	(229,227)
Instructional Staff	203,816	239,253	262,527	(23,274)
District Administration	449,131	373,627	433,322	(59,695)
School Administration	504,345	522,008	573,698	(51,690)
Business	56,645	90,941	191,024	(100,083)
Plant Operation and Maintenance	662,821	702,881	885,946	(183,065)
Student Transportation	678,345	707,589	968,558	(260,969)
Community Services	500	500	2,010	(1,510)
Contingency	<u>312,594</u>	<u>371,000</u>		<u>371,000</u>
<b>TOTAL EXPENDITURES</b>	<b>7,384,870</b>	<b>7,531,812</b>	<b>8,577,819</b>	<b>(1,046,007)</b>
Excess (Deficit) of Revenues Over Expenditures	(1,133,500)	(1,325,402)	(474,625)	850,777
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Equipment	2,500	2,500	26,703	24,203
Operating Transfers In	26,000	26,000	289,006	263,006
Operating Transfers Out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(17,132)</u>	<u>(2,132)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>13,500</b>	<b>13,500</b>	<b>298,577</b>	<b>285,077</b>
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(1,120,000)	(1,311,902)	(176,048)	1,135,854
Fund Balance, July 1, 2012	<u>1,120,000</u>	<u>1,311,902</u>	<u>1,441,700</u>	<u>129,798</u>
Fund Balance, June 30, 2013	\$0	\$0	\$1,265,652	\$1,265,652

On-Behalf payments are not budgeted. Both revenues and expenditures are equally increased by the amount of on-behalf payments totaling \$1,537,419.

BRACKEN COUNTY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE FOR SPECIAL REVENUE  
 For The Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>				
State Sources	\$430,395	\$343,951	\$331,516	(12,435)
Federal Sources	557,492	597,407	656,879	59,472
Local Sources	<u>0</u>	<u>0</u>	<u>12,701</u>	<u>12,701</u>
<b>TOTAL REVENUES</b>	987,887	941,358	1,001,096	59,738
<b>EXPENDITURES</b>				
Instruction	769,557	720,769	797,284	(76,515)
Support Services				
Student	18,967	26,663	31,417	(4,754)
Instructional Staff	123,883	127,468	106,028	21,440
District Administration	652	999	182	817
School Administration	1,738	1,738	1,291	447
Student Transportation	8,437	83	122	(39)
Community Service Operations	<u>79,653</u>	<u>78,638</u>	<u>81,904</u>	<u>(3,266)</u>
<b>TOTAL EXPENDITURES</b>	1,002,887	956,358	1,018,228	(61,870)
Excess (Deficit) of Revenues Over Expenditures	(15,000)	(15,000)	(17,132)	(2,132)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	<u>15,000</u>	<u>15,000</u>	<u>17,132</u>	<u>2,132</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	15,000	15,000	17,132	2,132
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	0	0	0
Restricted Fund Balance, July 1, 2012	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Restricted Fund Balance, June 30, 2013	\$0	\$0	\$0	\$0

BRACKEN COUNTY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 As of June 30, 2013

	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total
<b>ASSETS AND RESOURCES</b>				
Cash and equivalents	\$185,813	\$83	\$57	\$185,953
<b>TOTAL ASSETS AND RESOURCES</b>	<b>\$185,813</b>	<b>\$83</b>	<b>\$57</b>	<b>\$185,953</b>
<b>FUND BALANCES</b>				
Restricted - SFCC	\$185,813	\$	\$	\$185,813
Restricted - Future Constr BG-1		83		83
Restricted - Debt Service			<u>57</u>	<u>57</u>
<b>TOTAL FUND BALANCES</b>	<u>185,813</u>	<u>83</u>	<u>57</u>	<u>185,953</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$185,813</b>	<b>\$83</b>	<b>\$57</b>	<b>\$185,953</b>

BRACKEN COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For The Year Ended June 30, 2013

	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total
<b>REVENUES</b>				
From local sources				
Taxes	\$	\$	\$	\$0
Interest	816	15	4	835
Intergovernmental-State	<u>109,332</u>	<u>          </u>	<u>55,024</u>	<u>164,356</u>
<b>TOTAL REVENUES</b>	110,148	15	55,028	165,191
<b>EXPENDITURES</b>				
Building Improvements		17,605		17,605
Debt Service		<u>          </u>	<u>677,090</u>	<u>677,090</u>
<b>TOTAL EXPENDITURES</b>		17,605	677,090	694,695
Excess (deficit) revenues over expenditures	110,148	(17,590)	(622,062)	(529,504)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in			622,066	622,066
Operating transfers out	<u>(255,591)</u>	<u>          </u>	<u>          </u>	<u>(255,591)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(255,591)	0	622,066	366,475
Excess (deficit) revenues and other financing sources over expenditures and other financing uses	(145,443)	(17,590)	4	(163,029)
Restricted Fund Balance, July 1, 2012	<u>331,256</u>	<u>17,673</u>	<u>53</u>	<u>348,982</u>
Restricted Fund Balance, June 30, 2013	\$185,813	\$83	\$57	\$185,953

BRACKEN COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 SCHOOL ACTIVITY FUNDS  
 As of June 30, 2013

	Bracken County High School	Bracken County Middle School	Taylor Elementary School	Total
<b>ASSETS</b>				
Cash and equivalents	\$50,657	\$38,934	\$31,496	\$121,087
Accounts receivable	<u>119</u>	<u>0</u>	<u>0</u>	<u>119</u>
<b>TOTAL ASSETS</b>	<b>\$50,776</b>	<b>\$38,934</b>	<b>\$31,496</b>	<b>\$121,206</b>
<b>LIABILITIES</b>				
Accounts payable	\$0	\$1,905	\$11	\$1,916
Due to student groups	<u>50,776</u>	<u>37,029</u>	<u>31,485</u>	<u>119,290</u>
<b>TOTAL LIABILITIES</b>	<b>\$50,776</b>	<b>\$38,934</b>	<b>\$31,496</b>	<b>\$121,206</b>

BRACKEN COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
 SCHOOL ACTIVITY FUNDS

For The Year Ended June 30, 2013

	Cash Balances July 1, 2012	Receipts	Disbursement	Cash Balances June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Due To Student Groups June 30, 2013
Bracken County High School	\$51,605	\$222,432	\$223,380	\$50,657	\$119	\$0	\$50,776
Bracken County Middle School	\$35,216	\$131,894	\$128,176	\$38,934	0	1,905	\$37,029
Taylor Elementary School	<u>\$26,387</u>	<u>\$70,978</u>	<u>\$65,869</u>	<u>\$31,496</u>	<u>0</u>	<u>11</u>	<u>\$31,485</u>
TOTAL ACTIVITY FUNDS	\$113,208	\$425,304	\$417,425	\$121,087	\$119	\$1,916	\$119,290

BRACKEN COUNTY SCHOOL DISTRICT  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
 BRACKEN COUNTY HIGH SCHOOL  
 For The Year Ended June 30, 2013

	Cash Balances		Receipts	Disbursements	Transfers	Cash Balances	Accounts Receivable	Accounts Payable	DUE TO STUDENT GROUPS
	July 1, 2012	June 30, 2012	June 30, 2013	June 30, 2013	June 30, 2013				
Athletic Dept	\$242	\$75,974	\$73,976	\$572	\$2,812	\$0	\$0	\$2,812	5
Art Club	512	42	132	(417)	5				235
Band Dept	276	30	97	26	235				1,187
Basketball Concession	702	15,814	9,329	(6,000)	1,187				144
Beta Club	275	499	630		144				2,653
Cheerleaders	1,819	7,106	6,184	(88)	2,653				30
Choral Music	6	1,816	1,792		30				0
Class of 2011	1,389			(1,389)	0				0
Class of 2012	141			(141)	0				0
Class of 2013	161	5,727	5,454	(434)	0				0
Class of 2014	3,126	4,430	5,117		2,439				2,439
Class of 2015	1,220	1,040			2,260				2,260
Class of 2016	0	960	20		940				940
English	251	37	44		244				244
F.B.L.A.	2,602	26,878	28,685		795				795
F.C.A.	910	684	494		1,100				1,100
F.C.C.L.A.	8,993	21,769	28,481	3,088	5,369				5,369
F.E.A.	110	1,254	963		401				401
F.F.A.	2,057	17,125	16,681		2,501				2,501
Flower	203	221	372		52				52
French Club	495	1,711	1,272		934				934
General Fund	3,263	24,754	27,061	2,212	3,168				3,168
Glacier Grab & Go	114	466	346		234				234
Home Economics	838	4,413	4,945		306				306
Jackson Jump Start	1,191	404	445		1,150				1,150
Library Fund	1,233	837	837		1,233				1,233
Parking	865	282	274	(180)	693				693
Pep club	38	181			219				219
Scholarship & Supply Fund	1,976		50		1,926				1,926
Special Ed	27	186	200		13				13
Spanish Club	523	370	488		405				405
Speech & Drama	392				392				392
Student Council	249			(249)	0				0
Student Rewards	217		45		172				172
Student Vending	182	705	682		205		57		262
Teacher Lounge Vending	1,273	1,360	2,200		433		62		495
Textbook Fund	632	125			757				757
Tri-M Music Honor Society	251	217			468				468
Yearbook Fund	12,851	5,015	6,084	3,000	14,782		0		14,782
TOTAL	\$51,605	\$222,432	\$223,380	\$0	\$50,657	\$119	\$0	\$0	\$50,776

BRACKEN COUNTY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended June 30, 2013

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Passed through Kentucky Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002 12	\$58,741
National School Lunch Program	10.555	7750002 13	256,723
School Breakfast Program	10.553	7760005 12	27,909
School Breakfast Program	10.553	7760005 13	98,231
SubTotal Child Nutrition Cluster			441,604
Commodities	10.555	510 4950	<u>41,232</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>482,836</b>
 <b><u>U.S. Department of Education</u></b>			
Passed through Kentucky Department of Education			
Improving America's School Act of 1994			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	3100002 11	90,145
Title I Grants to Local Educational Agencies	84.010	3100002 12	<u>197,732</u>
		subtotal	287,877
 Special Education Cluster (IDEA)			
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 11	33,870
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 12	217,339
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 11	995
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 12	<u>19,858</u>
		subtotal	272,062
 Education Jobs Fund (Ed Jobs)	 84.410	 EJOB00	 9,833
 Race to the Top	 84.413A	 3960002 11	 8,394

The accompanying notes are an integral part of this schedule

BRACKEN COUNTY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended June 30, 2013

Federal Grantor/Passed-Through Grantor <u>Program or Cluster Title</u>	Federal <u>CFDA        Number</u>	Pass Through Grantor's <u>Number</u>	Federal <u>Expenditures</u>
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education			
Vocational Education	84.048	4621332 11	10,257
		subtotal	10,257
Improving Teacher Quality State Grants	84.367	3230002 11	40
Improving Teacher Quality State Grants	84.367	3230002 12	<u>49,549</u>
		subtotal	49,589
TOTAL U.S. DEPARTMENT OF EDUCATION			638,012
Pass Through Education and Workforce Development Cabinet Office of Vocational Rehabilitation			
Adult Education, Community Based Work Transition	84.002	3713	18,867
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$1,139,715

The accompanying notes are an integral part of this schedule

BRACKEN COUNTY SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2013

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Bracken County School District (the "District") under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities disbursed, totaling \$41,232.

**DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
502-857-2579**

REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE  
FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(for a Governmental Entity)

(No Material Weaknesses Identified, No Significant Deficiencies Identified, and  
No Reportable Instances of Noncompliance, or Other Matters Identified)

Independent Auditor's Report

State Committee For School District Audits  
Members of the Board of Education  
Bracken County School District  
Brooksville, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the provisions of Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-profit Organizations, and the audit requirement prescribed by the Kentucky Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bracken County Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 20, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I noted certain matters that I reported to management of the District in a separate letter dated September 20, 2013.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies, pass-through entities and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
September 20, 2013

**DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
502-857-2579**

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133  
(Unmodified Opinion on Compliance for each Major Program; No Material Weaknesses or  
Significant Deficiencies in Internal Control Over Compliance Identified)

INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits  
Members of the Board of Education  
Bracken County School District  
Brooksville, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited Bracken County School District's (the "District") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky Committee for School District Audits. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## **Report on Internal Control Over Compliance**

Management of the Bracken County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of Bracken County School District as of and for the year ended June 30, 2013, and have issued our report thereon dated September 20, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of

the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies, pass-through entities and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
September 20, 2013

BRACKEN COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013

Section I – Summary of Auditor’s Results

**Financial Statements**

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting

Material weakness(es) identified?                     yes  no

Significant deficiency(s) identified that are not  
considered to be material weakness(es)?             yes  none reported

Noncompliance material to financial statements noted?     yes  no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?                     yes  no

Significant deficiency(s) identified that are not  
Considered to be material weakness(es)?             yes  none reported

An unmodified opinion was issued on compliance for all major programs.

Any audit findings disclosed that are required to be reported  
in accordance with section 510(a) of Circular A-133?     yes  no

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.027, 84.173	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?                     yes  no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

BRACKEN COUNTY SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
For The Year Ended June 30, 2013

**PRIOR YEAR – FINANCIAL STATEMENT FINDINGS**

None were reported last year

**PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None were reported last year

## MANAGEMENT LETTER

**DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
502-857-2579**

Bracken County Board of Education  
Brooksville, Kentucky

We have audited the financial statements of the Bracken County School District for the year ended June 30, 2013 and have issued our report thereon dated September 20, 2013. As part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

The management of the Bracken County School District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors, or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system of internal accounting control. Accordingly, we do not express an opinion on the system of internal accounting control of the Bracken County School District taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness.

The following items from last year's management letter points were corrected during the current fiscal year as outlined in the District's response: 2012-01, 2012-02, 2012-05, 2012-06, 2012-07, 2012-08.

The following items from last year's management letter points were not corrected: 2012-03, 2012-04

## CURRENT YEAR MANAGEMENT POINTS

2013-01

KRS 160.560 requires the treasurer to execute an official bond for the faithful performance of the duties of the office to be approved by the local board and the Commissioner of Education. During the fiscal year, the interim treasurer did not have a bond. The new treasurer did have a bond, but it was not approved by the Commissioner of Education. The District must obtain, approve and have the Commissioner of Education approve bonds for the District's treasurer.

### Management's Response

This is the first time we have had a treasurer leave in several years. We will ensure that any and all treasurers will get bonded and be approved by the Commissioner in the future.

## BRACKEN COUNTY HIGH SCHOOL

2013-02

The school purchased coaches cards for individuals who were not coaches, including the retired superintendent, the current superintendent and the principal. The school should only purchase coaches cards for coaches and only if it provides a direct benefit to students or if the school can justify the purchase as a cost effective means to achieve outcomes and procure goods and services.

### Management's response:

It has been common practice to purchase coaches cards for administration as the principal and superintendent attend many road contests. A lifetime coaches card for the retired superintendent was purchased as he had fulfilled the requirements to have one, and it has been common practice by virtually all districts to purchase a card for a retiring employee who has met the requirements. The BCHS administration is aware that the NEW REDBOOK, which took effect July 1<sup>st</sup>, 2013, forbids such purchases.

## BRACKEN COUNTY MIDDLE SCHOOL

2013-03

Ticket Sale Forms are not being signed properly. The school used an old form which did not have a place for the ticket taker to sign. The new form should be use and all signatures should be obtained. **This is a repeat finding from last year.**

### Management's response:

In the previous finding, it was stated that we did not get the ticket seller's signature. We thought we were merely missing signatures, based upon the form we had. We were unaware that we were using an OLD form. Therefore, we did not change the form used so that was why the mistake continued. Now that the NEW form has been provided and shared with us, we can happily fix this finding.

## **BRACKEN COUNTY MIDDLE SCHOOL**

2013-04

According to the "Accounting Procedures for Kentucky School Activity Funds" (the Red Book), "to initiate a purchase a Purchase Order (Form F-SA-7) shall be prepared and approved by the sponsor and principal before the payment is obligated." Testing disclosed 2 out of 21 expenditures had Purchase Order dates after the invoice date. Staff should be reminded that all expenditures must be approved prior to obligating the school. **This is a repeat finding from last year.**

Management's response:

Coaches were informed through an email on August 23, 2013 of the following: "All items ordered for your sports team must have a purchase order signed off by me before you order. I have attached a form for your knowledge. All invoices turned in must have the purchase order number on them. If you do not follow this procedure YOU could be personally responsible for the bill. Purchase orders must be signed by the coach and principal. I cannot be the only one signing them based on an email to order something for you. The form will need to be completed by the coach. They can be scanned and sent via email." Other staff were informed on opening day. We will check all invoices submitted and purchase orders requested more closely and regularly review them for proper accounting procedures. We will review definitely monthly and weekly if necessary.

## **TAYLOR ELEMENTARY SCHOOL**

2013-05

Testing disclosed three (3) checks with no signature. The Treasurer should confirm there are two signatures on the check before disbursing it.

Management's response:

Treasurer will monitor checks more closely. FNB always calls us if there is a check missing a signature, and the one who didn't sign goes to the bank to sign it. No checks are cleared without two signatures.

2013-06

According to the "Accounting Procedures for Kentucky School Activity Funds" (the Red Book), "to initiate a purchase a Purchase Order (Form F-SA-7) shall be prepared and approved by the sponsor and principal before the payment is obligated." Testing disclosed 13 out of 25 did not have a sponsor approval. The sponsor or person in charge of the fund should approve all purchase orders for that fund.

Management's response:

Treasurer was not aware she could not be sponsor to all activity accounts. We have since spoke with auditor and we will change the sponsors to library and cheer bears. Treasurer will have those sponsors sign the PO's from now on.

## **TAYLOR ELEMENTARY SCHOOL**

2013-07

The Cheer Bears activity account was improperly managed during the year. Taylor Elementary purchase orders included items for the high school. Purchases for the high school should not be included with the elementary purchases, but should be on their own purchase order for approval by the high school principal. One fundraiser was not approved by the principal or by the board. Two fundraisers did not account for all the money that should have been turned in. There was \$1,033.25 unaccounted for in candy bar sales and \$648.00 unaccounted for in ornament sales. There were several problems with the uniform purchase. More socks were received than ordered. A backpack and 2 pairs of shoes were ordered for High School Cheerleaders. Shoes were not ordered and/or received in the correct size. Distribution to students were not handled in a way to know who got what. The handling of the ornaments and candy bars is not acceptable. Money has not been turned in. There does not appear to be any record of which students took what and how much is owed from each for the fundraisers. Fees collected from the Cheer Bears range from \$0 for one student to \$200 for 2 students. The school needs to monitor fundraisers and sponsors to assure that procedures are established and followed to properly account for all fundraising proceeds and products. All fundraisers are to be approved prior to initiating the fundraiser. Fundraiser worksheets and inventory control worksheets should be completed appropriately.

Management's response:

Treasurer initially found the errors in this account and reported it immediately to superintendent. Cheer Bear sponsor has since resigned and took responsibility for her errors. Treasurer did train new cheer bear sponsor on correct Redbook Guidelines.